



The Influence of General Allocation Fund, Revenue Sharing Fund, and Tax Effort on Financial Overall Performance

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Abstract: The have an effect on of General Allocation Fund, Revenue Sharing Fund, and Tax effort on Financial Overall Performance is a scholarly article within the subject of financial management. The reason of this text is to construct hypotheses regarding the impact of variables with a purpose to be used in destiny studies. The research items are drawn from on-line literature sources, Google scholar, PubMed, and other on line educational packages. The studies method employed library research using e-books and open get right of entry to e-journals as resources. Qualitative descriptive analysis was carried out. The results of this article are as follows: 1) General Allocation Fund has an influence on regional financial overall performance; 2) Revenue Sharing Fund has a power on regional financial overall performance; and 3) Tax effort has an influence on nearby Financial Overall Performance.

Keywords: DAU, DBH, Tax Effort, Financial Overall Performance.

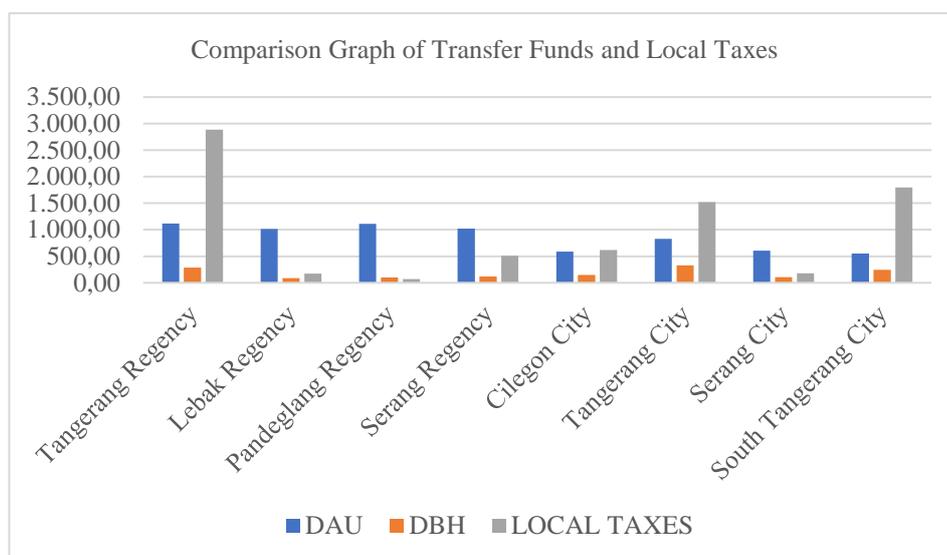
INTRODUCTION

Fiscal decentralization is described as a system in which the central government transfers a part of price range every day nearby governments with the number one purpose of reducing monetary imbalances some of the areas themselves. Consistent with Nikijuluw (2012), although the economic stability fund mechanism is protected in the financial decentralization design, it's far vital daily hold the power of nearby taxes. In Indonesia, the implementation of fiscal decentralization, according with the mandate of law No. 23 of 2014 on regional authorities, has changed the premise of interaction among each the valuable and nearby governments. Regional governments now have a supply of investment every day manipulate their operations, which includes enhancing their performance, counting on their own local revenue ability and transfer funds from the primary authorities inside the form of monetary balance fund. however, in exercise, there are numerous demanding situations confronted. In addition day-to-day demographic and useful resource variations between

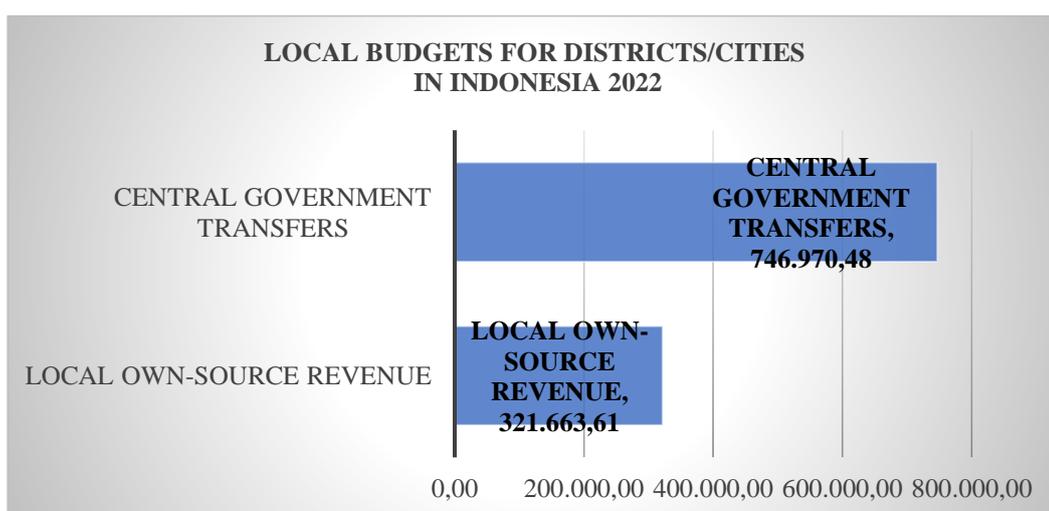
regions, interest is likewise centered on fiscal disparities and imbalances in investment ability amongst these areas.

Everyday deal with those challenges, the central government allocates monetary help daily nearby governments within the form of nearby monetary balance finances, which include the General Allocation Fund (DAU), Revenue Sharing Fund (DBH), and Special Allocation Fund (DAK). however, in reality, many local governments, such as second-level governments in districts and cities, are nevertheless now not totally self-sufficient in managing their budget.

One of the 38 provinces in Indonesia that receives financial transfers from the central government is Banten. Although Banten has strong economic potential, especially in the tourism and trade sectors, and is known as an industrial hub on Java Island, the province is said to still depend on financial transfers from the critical government.



Source: Directorate General of Financial Balance, data processed (2023)



Source: Directorate General of Financial Balance, data processed (2023)

In the context of regional autonomy, optimizing tax revenue is highly crucial. The government's efforts in tax collection can be measured through the Tax Effort ratio of a country or region. This Tax Effort ratio serves as a tool for the government to promote fiscal policies and determine the extent of additional efforts required by the government to achieve its development and regional growth goals (as suggested by Amoh, 2019). Furthermore, Financial Overall Performance also serves as a crucial indicator in assessing a region's ability to manage its finances. The Financial Overall Performance of regional governments can be measured based on how well they can optimize their potential within their region, especially in revenue tax collection.

Based on this background, the objective of writing this article is to formulate hypotheses for future research, namely: 1) The Influence of the General Allocation Fund on Financial Overall Performance; 2) The Influence of the Revenue Sharing Fund on Financial Overall Performance; and 3) The Influence of Tax Effort on Financial Overall Performance.

METHODS

The approach employed for composing this Literature Review article involves utilizing a Qualitative Descriptive method, as well as conducting a Literature Review or Library Research. The process of searching for literature was carried out by accessing information or sources from established databases like Google Scholar, PubMed, and other online academic tools.

RESULT AN DISCUSSION

Based on the background, objectives, and method, the results of this article are as follows:

General Allocation Fund

In accordance with Law No. 23 of 2014 on Regional Government, the General Allocation Fund (DAU) can be described as funds derived from the revenue of the State Budget (APBN), which are intended to mitigate financial disparities among areas, aiming to facilitate regional financial needs within the framework of decentralization. A similar explanation can be found in Damas Dwi Anggoro's work in 2017, where he defines the General Allocation Fund (DAU) as revenue stemming from the State Budget allocation, designed to address financial imbalances among regions. The allocation principle of this General Allocation Fund aligns with the concepts of decentralization in the context of nearby autonomy. Rachim (2015) also interprets the General Allocation Fund as a funding source originating from the State Budget, allocated to rectify financial disparities among regions and to support regional financial requirements inside the context of decentralization. The distribution of the General Allocation Fund (DAU) is carried out to provinces and districts/cities, taking into account the specific needs of each target region.

Revenue Sharing Fund

In contrast, in line with Law No. 23 of 2014 on Regional Government, the Revenue Sharing Fund (DBH) can be characterized as funds acquired from the special income of the State Budget and distributed to producing regions in a predetermined ratio. The primary objective of allocating the Revenue Sharing Fund is to rectify financial disparities between the Central Government and the regions. Furthermore, Government Law No. 55 of 2005 on Economic Stability also defines the Revenue Sharing Fund (DBH) as funds originating from the State Finances revenue, which are apportioned to regions in a specific proportion to support regional financial requirements within the framework of decentralization. Fernandi & Nur (2016) state that the Revenue Sharing Fund (DBH) constitutes income sourced from the

State Budget and allotted to local governments in a particular percent to cater to nearby wishes inside the context of decentralization.

Tax Effort

According to Fadhli (2023), Tax Effort refers to the efforts of Regional Governments to increase local tax revenue. Meanwhile, Mulyanto (2007) defines Tax Effort as the total taxes successfully collected by tax authorities compared to the tax capacity (Tax Capacity). In essence, Tax Effort mirrors the diploma to which a region can gather and optimize its local tax earnings. Some studies evaluate a region's tax endeavors by considering local tax revenue as a percent of the Gross Domestic Product (GDP) during a specific timeframe. A good tax effort is important to support the government's financial sustainability in providing the necessary funds for public services and fostering economic development.

Financial Overall Performance

In accordance with the Ministry of Home Affairs Regulation No. 13 of 2006 on Regional Financial Management Guidelines, performance denotes the outcomes (results) of a program that have either been achieved or will be achieved, taking into consideration both the quantifiable and qualitative aspects. This interpretation is further elucidated by V. Wiratna (2017), who specifies that performance encompasses the assessment results of completed work, which are subsequently compared against collectively established criteria.

The financial overall performance of local government is an evaluation and measurement of how local governments manage their financial resources. This includes a variety of indicators used to understand the extent to which local governments are successful in planning, collecting, managing, and allocating their to fulfill the wishes of the network and gain local improvement dreams. From these definitions, it can be concluded that financial overall performance refers to the evaluation results or output of an activity or program used as an indicator to measure the region's ability to exercise its regional autonomy.

Review of Relevant Articles

No	Author (Year)	Previous Research Results	Similarities with This Article	Differences with This Article	H
1	Harjito, Yunus,dkk (2020)	PAD and DAK significantly affect the overall financial performance of local governments in Indonesia, whereas the remaining variables, namely DAU and Regional Expenditure, have not been shown to influence Government Financial Overall Performance.	Both studies examine the influence of DAU on Financial Overall Performance.	DAU does not affect Financial Overall Performance. Additionally, the researcher uses PAD, DAK, and Regional Expenditure as variables, while the author does not.	H1
2	Salsabila, Ratu Wafa (2021)	The impact of the Revenue Sharing Fund (DBH) on Regional Government Financial Overall Performance is both negative and statistically insignificant, while the General Allocation Fund (DAU) exerts a negative and significant influence on Government Financial Overall Performance. Similarly, the	The General Allocation Fund (DAU) has a negative and significant effect on Financial Overall Performance.	The researcher uses the Special Allocation Fund (DAK) variable, while the author does not.	H2

		Special Allocation Fund (DAK) demonstrates a negative and significant effect on Regional Government Financial Overall Performance.			
3	Al-Latief, M (2018)	PAD has a positive and significant impact on Financial Overall Performance, DAU has a negative and significant impact on Financial Overall Performance, DBH has a negative and significant impact on Financial Overall Performance, and fiscal stress has a positive and significant impact on Financial Overall Performance.	DBH has a negative and significant impact on Financial Overall Performance.	The researcher uses PAD and fiscal stress variables, while the author does not.	H2
4	Sari, Berti Indah, et al (2021)	Local Own-Source Revenue (PAD), the General Allocation Fund (DAU), and Regional Expenditure have a positive impact on regional government Financial Overall Performance.	Both researchers and authors investigate the impact of DAU on Financial Overall Performance.	DAU has a positive impact on regional government Financial Overall Performance. The researcher uses the PAD and Regional Expenditure variables, while the author does not.	H1
5	Verawaty, et al (2020)	Local Own-Source Revenue (PAD) positively affects the Financial Overall Performance of regional governments. Conversely, the General Allocation Fund (DAU) and Special Allocation Fund (DAK) negatively impact Financial Overall Performance. Meanwhile, the Revenue Sharing Fund (DBH) has no influence on Financial Overall Performance.	Both researchers and authors investigate the impact of DAU and DBH on Financial Overall Performance.	DBH does not affect Financial Overall Performance.	H1
6	Priyono, N et al (2020)	DAU and DAK have a partial impact on regional Financial Overall Performance, whereas PAD, DBH, DAU, and DAK collectively influence regional Financial Overall Performance. Other research findings suggest that, in part, only two variables, PAD and DAU, affect the community welfare level. Furthermore, when considered together, the PAD, DBH, DAU, and DAK variables affect the community welfare level.	DAU partially influences regional Financial Overall Performance. DBH simultaneously influences regional Financial Overall Performance.	The researcher used the variables PAD, DAK, and Community Welfare that were not used by the author	H2
7	Rahmayani (2018)	Both simultaneous and partial, Tax Effort and personnel expenditure have a positive and significant impact on regional	Tax Effort, both simultaneously and partially, has a positive and significant impact	The researcher includes the personnel expenditure variable,	H3

		development self-reliance.	on regional development self-reliance.	while the author does not.	
8	Fadhli (2023)	Tax Effort has a positive and significant impact on Financial Overall Performance.	Tax Effort has a positive and significant impact on Financial Overall Performance.	The researcher uses the variables "flypaper effect" and "fiscal distress," and Tax Effort also serves as a moderating variable for the impact on Financial Overall Performance.	H3
9	Rumapea & Siringoringo (2020)	Expenditure and Taxes exert a positive and significant impact on Financial Overall Performance (Efficiency Ratio). Conversely, Revenue has a negative and significant influence on Financial Overall Performance (Efficiency Ratio). However, Grant does not affect Financial Overall Performance (Efficiency Ratio). Simultaneous hypothesis testing results demonstrate that the variables Revenue, Expenditure, Taxes, and Grant collectively have a positive and significant effect on Financial Overall Performance (Efficiency Ratio).	Taxes have a positive and significant impact on Financial Overall Performance.	Grants do not affect Financial Overall Performance.	H3

Discussion

Based on the theoretical review, the discussion of this literature review article involves reviewing relevant articles, analyzing the influence between variables, and creating a conceptual plan for research.

The Influence of General Allocation Fund (DAU) on Financial Overall Performance

The General Allocation Fund (DAU) is a category of financial transfers designed to mitigate economic inequalities among regions and meet the fiscal requirements of regions within the context of decentralization. It is expected that regional governments can manage DAU effectively and efficiently to achieve maximum performance for the progress of regional development. However, Salsabila (2021) showed that DAU has a negative and significant impact on Financial Overall Performance. The provision of DAU can make regions less self-reliant and does not improve their Financial Overall Performance. On the other hand, the research by Sari (2021) found that DAU has a positive influence on Financial Overall Performance, while Harjito (2020) did not find a significant impact of DAU on Financial Overall Performance.

The Influence of Revenue Sharing Fund (DBH) on Financial Overall Performance

As mentioned by Fernandi & Nur (2016), the Revenue Sharing Fund (DBH) is a financial allocation sourced from the state budget, provided to regional governments in a specific proportion, with the purpose of assisting regional requirements within the

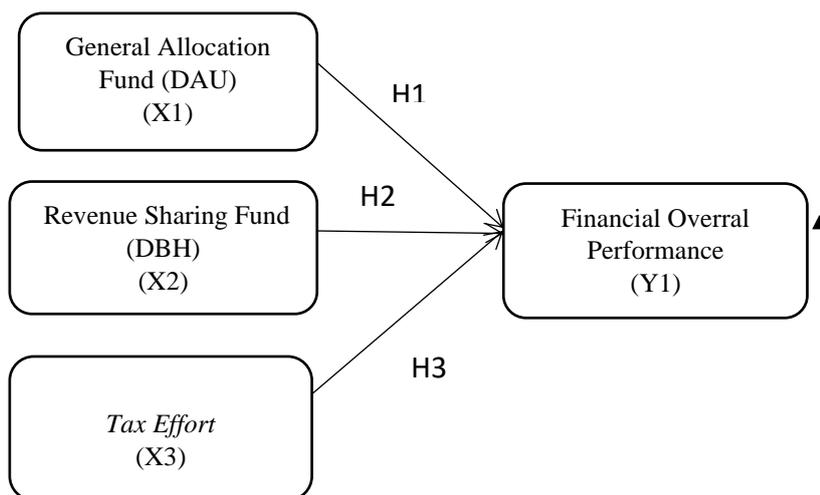
decentralization framework. Al Latief (2018) found that DBH has a negative and significant impact on financial overall performance. Salsabila's research in 2021, however, found that the Revenue Sharing Fund (DBH) has a negative and insignificant impact on the Financial Overall Performance of Regional Governments. Priyono (2020) indicates that DBH has a simultaneous effect on the Financial Overall Performance.

The Influence of Tax Effort on Financial Overall Performance

Tax Effort serves as a gauge of a region's capacity to efficiently gather and maximize its local tax income. It is typically evaluated by considering local tax revenue as a portion of the Regional Gross Domestic Product (PDRB) during a particular timeframe. Good Financial Overall Performance is often measured through the self-reliance ratio of a region, reflecting how much a region can generate revenue without relying on transfers from the central government, including local tax revenue. Fadhli's (2023) research showed that Tax Effort has a positive and significant impact on Financial Overall Performance. The research results of Rumapea & Siringoringo (2020) also demonstrated that taxes have a positive and significant impact on Financial Overall Performance.

Conceptual Research Framework

According to the problem statement, relevant discussions, and research, the conceptual framework of this article is obtained as illustrated in Figure 1 below.



Based on the conceptual framework above, the General Allocation Fund, Revenue Sharing Fund, and Tax Effort have an impact on Financial Overall Performance. In addition to these two variables, many other variables influence regional Financial Overall Performance, including:

1. Expenditures (Rumapea & Siringoringo, 2020).
2. Local Revenue (Hasna Lathifa, 2019) and (Heryanti, C.D et al., 2019).
3. Capital Expenditure (Anggreni, Ni Ketut Ayu & Luh Gede Sri Artini, 2019) and (Hasna Lathifa, 2019).

CONCLUSION

From the problem formulation that has been presented, the objectives, results, and discussion, the conclusion of this article is to formulate hypotheses for future research, which are as follows: 1) The General Allocation Fund (DAU) affects Financial Overall Performance.

2) The Revenue Sharing Fund (DBH) affects Financial Overall Performance. 3) Tax Effort affects Financial Overall Performance. It is hoped that providing transfers to a region does not discourage the region from making efforts to collect its own local revenue and maintaining fiscal balance, ensuring the Financial Overall Performance of a region remains efficient and effective.

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